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Chairman: Mr. Chowdhury ..... (Bangladesh)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.25 a.m.

Agenda item 116: Programme budget for the biennium 1998-1999 (*continued*)

Integrated Management Information System (A/52/711, A/52/755, A/52/828)

1. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the report of the Advisory Committee on the Integrated Management Information System (IMIS) (A/52/828), said that the Advisory Committee's comments were made in the light of the findings and recommendations in the report of the Board of Auditors (A/52/755), which ACABQ endorsed. It was clear that much remained to be done to implement the Board's recommendations.

2. IMIS was a complex project which, upon completion, would profoundly affect the way in which the United Nations managed its operations in personnel, budget and financial services. However, in order for the Organization to get a full return on its investment of over $70 million, the Secretariat would have to address the problems identified by the Board. Following installation, it was vital for the system to be properly maintained, for staff and management to be trained in all aspects of its use, and for there to be sufficient internal expertise to monitor and manage whatever services might be contracted out. The Secretariat had made a number of contract implementation, management and monitoring mistakes and there were a number of unresolved questions regarding payment to the contractor which required clarification. In that connection, the Advisory Committee welcomed the news that negotiations were under way with the contractor to settle the issue of whether some bills which had been submitted or certain payments which had already been made should have been covered under warranty.

3. Regarding the request for an additional $10.4 million, the General Assembly had authorized the charging of $3 million to the 1996-1997 appropriation subject to the Advisory Committee's concurrence. The preliminary information communicated to the Advisory Committee on how that amount would be spent was unsatisfactory and further clarification was required. Regarding the balance of $7.4 million, the Secretariat had informed the Advisory Committee that the amount could be covered within the final appropriation authorized by the General Assembly for 1996-1997. The Advisory Committee had indicated how to proceed on that matter in paragraph 20 of its report.

4. **Mr. Connor** (Under-Secretary-General for Management), introducing the ninth progress report of the Secretary-General on the Integrated Management Information System (A/52/711), said that the reports of the Secretary-General and of the Board of Auditors were complementary and consistent with each other: both outlined progress and problems. The IMIS system was currently operational; transactions at Headquarters were processed through it on a daily basis by hundreds of staff. The human resources applications were being used at 10 locations and three organizations worldwide, and would be in use at 12 locations and five organizations by the end of the year.

5. There was currently no integrated software package available that compared with IMIS in terms of meeting the specific requirements of the Organization. For the most part, the system had been completed with the bulk of the original functionalities, but much remained to be done. The Secretary-General's report had been frank in highlighting problems. However, the project should not be seen in isolation but in its proper context as a fundamental shift in the way that administrative processes were carried out throughout the Organization.

6. The findings of the Board of Auditors were in line with what had been determined previously by the Administration. In most cases, the auditors had confirmed and strengthened the corrective actions planned or put in place by the Administration as a priority. Many of those corrective actions had been under way when the audit took place in mid-1997, and the current situation reflected considerable progress since then.

7. Release 1, human resources, had been installed at all duty stations. As recommended by the auditors, a review was under way of the completeness and quality of the data for the implementation of Release 2, staff entitlements, and Release 4, payroll. All duty stations had undertaken that process as a matter of priority. Missing or incomplete data relating mainly to the skills inventory of the staff would be entered at a later stage within the framework of the overall human resources strategy. Incomplete data did not affect the operation of Release 1. The related functionalities had been included in IMIS with a view to using them incrementally. The implementation of Release 1 had enabled the Organization to standardize data on staff and posts and to upgrade users' technical skills and the Organization's infrastructure worldwide.

8. The re-engineering of Release 2, staff entitlements, had required a major effort. Difficulties with entitlements data had been reported in the seventh and eighth progress reports in 1995 and 1996, as well as in the ninth report. At the time

of the auditors' review, action had been well under way to develop a new version of Release 2. User training was currently in hand, and the new version was scheduled for implementation in April 1998. The development and operation of the first version of Release 2 had brought to light a number of problems relating to entitlements which had gone undetected in the past. In retrospect, Release 2 had been incomplete when implemented in April 1995. On the other hand, the early implementation of Release 2 had revealed a number of poorly understood complexities which had been dealt with in the subsequent version of the software.

9. A number of problems had been anticipated in connection with the launch of Release 3, financial and support services applications, owing to the complexity of the release, the radical changes it introduced, and the number of transactions involved. The difficulty of converting data from old systems and the subsequent impact on reporting, while foreseen back in 1995, had exceeded expectations. Fortunately, the problems had largely been solved by the end of 1997. To better assess the magnitude of the task, it should be noted that the total amount converted from the old to the new systems was $21 billion (reflected as $42 billion in credits and debits). All transactions had been recorded in the conversion control account and the imbalance therein reflected the amounts that could not be converted. Those amounts had subsequently been cleared.

10. Problems had arisen in connection with data conversion issues, import of data through bridges and interfaces, system errors and user operations. Many data errors had already been identified and corrective action taken at the time of the audit. Most of the system errors had also been corrected. No system could be expected to be error-free and it was likely that other errors would surface in the future. The Board of Auditors had criticized the fact that a formal set of diagnostic tools had not been developed to create a built-in mechanism in IMIS to detect data inconsistencies. The Administration had already started work on diagnostic tools to monitor system operations. As of February 1998, eight such tools had been developed and run on a regular basis. The results had confirmed that basic accounting requirements were being met. Errors, though present, were rare, thereby clearly demonstrating that it was possible to monitor the database to reduce the risk of errors.

11. Difficulties had arisen concerning the financial reports, which had been considerably delayed and had taken a great deal of time and effort to prepare. In that area the original specifications had clearly been inadequate. The production of the reports had also been affected by data problems. However, a major effort was currently under way to require users to become acquainted with the new data structure before refining or even defining the reports layout.

12. In fact most of the reports required for the financial statements were ready. In the few cases where a formal report would not be completed, the information would be retrieved through standard queries that had been developed. It should be noted that significant progress had been made in the preparation of financial reports and statements. All 1996-1997 statements would be completed on schedule.

13. Improvements in reporting capabilities had been implemented since the auditors' review. The development of additional standard reports would continue for those reports needed on a regular basis and by a large number of users and duty stations. At the same time, work was under way to provide a facility to enable selected end users to launch standardized queries using multiple selection criteria. Ad hoc queries would continue to exist, as in all systems. Finally, a new facility was being introduced that would enable the system to respond more accurately to specific reporting needs without having to download all of the ledger tables.

14. While action was being taken to improve reporting capabilities and further refine existing reports, it was not currently necessary to overhaul the present IMIS reporting facility. The new facilities which had been installed or were being developed would respond to the needs identified by the auditors while maintaining the current main facility for a larger number of general users both at Headquarters and at offices away from Headquarters. Reports compiled at Headquarters, like all other IMIS facilities and tools, were disseminated to all other duty stations. The effort to develop additional reports must continue and additional resources had been requested to make it possible to retain the team currently assigned to the task. The transition from old systems and procedures required time and effort. The closing of accounts for the current biennium would be the first time that such an exercise had been carried out using the new system. Difficulties had to be considered part of the necessary learning and transition process.

15. One recommendation in the report on the special audit conducted in 1994 had been the completion of the users' review that had been initiated towards the end of that year. That review had been crucial to the implementation of Release 3. The system as implemented in April 1996 was very different from that specified in 1991. A huge number of changes, improvements and corrections had been designed to improve its usability. A major technology upgrade had been implemented to maintain IMIS as a state-of-the-art system. That effort had continued with priority given to

those changes needed to facilitate the closing of the accounts.

16. All changes which staff considered necessary, even if non-essential, were recorded in a central database and prioritized. While most of the priority changes for Releases 1 and 2 had been completed or were close to completion, a considerable number of priority changes were still required for Release 3 in order to facilitate the implementation of the system away from Headquarters.

17. With regard to Release 4, payroll, construction of the software had begun and work was under way to implement the system in test mode alongside the current system in July 1998. The parallel run would continue for six months. The final product would reflect requirements that had been redefined and refined, and would incorporate a number of amendments to accommodate the requirements of offices away from Headquarters and rule changes that had come into effect since 1991.

18. The recruitment process for the 34 positions, 29 of which were financed from temporary assistance, had been very difficult owing to the temporary nature of the posts and the competing demands for technical staff from the private sector. The current staff had acquired a good knowledge of the system and had developed whole sections of the application in the human resources, travel and procurement areas. The Board of Auditors had recommended that the process of learning the system should be accelerated and that the overall organizational structure within the Department of Administration and Management should be formalized. The Administration agreed with those recommendations.

19. A major achievement of the project thus far had been the installation of the necessary infrastructure for the system at offices away from Headquarters and the implementation of Release 1. A major challenge in the current biennium would be implementation of Releases 3 and 4 at offices away from Headquarters. Preparatory work had begun and a training course for staff from those offices was scheduled in New York in April 1998. Implementation at offices away from Headquarters would require an enormous effort. Some of the additional resources which had been requested related to that phase of the project, for which no contractor involvement was currently planned.

20. The ninth progress report provided a detailed description of the costs incurred so far. Ongoing maintenance costs should not be included as project costs. Back in 1994, it had been obvious that the project funds were totally inadequate, and a new project budget of some $62 million plus maintenance costs had been adopted. At that time, the Board of Auditors had acknowledged that further difficulties might emerge as the project developed. The realities of systems problems and refinements, data problems and inadequate staffing must now be faced.

21. His Department was aware of the concerns of Member States regarding the cost of the project. Successful implementation was going to cost more than originally thought. The additional funding, if approved, would bring the total cost of the project, excluding maintenance, to $72.9 million. The request was in line with the priorities recommended by the auditors in their report. The funding of the project was at a critical stage because the inadequacy of available funds currently ruled out the possibility of undertaking certain crucial activities. A total of $4.2 million remained unspent from the previous biennium. The General Assembly had given the Advisory Committee the authority to approve the use of an additional $3 million. The Secretariat was currently awaiting the outcome of the Committee's deliberations before formally requesting the Advisory Committee to release the funds.

22. The projected expenditures for the current biennium included contractual costs, staff costs and training costs. Given the complexity of IMIS, Member States should keep in mind the broad picture rather than focusing solely on individual elements such as contractual costs.

23. **Mr. Niwa** (Acting Assistant Secretary-General for Central Support Services) said that the IMIS contract had been awarded in 1991 after international competitive bidding that elicited 10 proposals. The base contract was a fixed price contract. It had been meant to provide a fully tested and operational system according to the specifications established in 1991 by the United Nations with the assistance of a contractor. As was customary, one of the underlying assumptions reflected in the proposal received by the United Nations had been that there would be limited expansion in the project scope and that the specifications were stable and complete. It was clear in retrospect that the specifications developed in 1990 had not met the operational needs of the system, a fact that had become obvious as work had progressed.

24. Unfortunately, the specifications of particularly large projects frequently proved to be inadequate and projects often had to restart owing to such deficiencies. The Organization had done its utmost to avoid a similar occurrence with IMIS.

25. A performance bond had been linked to that section of the contract since, although progress payments were to have been made on an ongoing basis, the system was to have been delivered as a whole at the end of the contract. Most of the subsequent work requested from the contractor had

been on a time and material basis in order to make changes to the system as already delivered or delivered in phases.

26. A further problem that had arisen as early as 1993 had been that of inadequate resources assigned to the project by the United Nations. It was at that stage that the Organization had decided to request the assistance of the contractor for implementation tasks, as documented in the previous audit report and IMIS progress reports. The contract had been renegotiated in 1994, and it had been assumed by both parties that the revised specifications for changes to Release 3 were definitive and stable and would allow timely implementation of the system in 1995.

27. The project had been reprogrammed and rebudgeted in mid-1994, as detailed in the sixth progress report. As part of that exercise, additional resources had been requested and approved for contractual work.

28. Additional internal resources had also been deployed, leading to the identification of unforeseen changes. A strategy for implementing those changes had been agreed upon with the contractor in order to limit the delays arising from the additional requirements and use the available resources in the best possible manner.

29. In retrospect the change in strategy could have been better documented and the contract amended accordingly. However, the contractor had always and exclusively performed well-defined tasks on a time and material basis and products and services had been verified by United Nations staff. Had any other strategy been retained at the end of 1994, more delays and higher costs would have resulted.

30. It was also clear now that the reprogramming and rebudgeting of the project in 1994 should have been done earlier. As the additional internal resources deployed since then had still been insufficient, the contractor's services had been used, in part, to compensate.

31. The monitoring of the contractor's work had been based on clear identification of the work that the contractor had been requested to do and had been billed on a time and material basis. The specifications of changes had been documented, reviewed and approved by the United Nations. All the work performed had therefore been documented.

32. When the contract had been awarded in 1991, it had been valued at 60 per cent of the project's approved budget. Currently, it amounted to 54 per cent of the approved funding, including maintenance costs through the end of 1997. While the relative importance of the contract had thus decreased as the scope of the project had expanded, its absolute value had increased.

33. That increase in the value of the contract had come about because inadequate staff resources had been assigned to the project team. In addition, the corrective actions undertaken in 1994 and 1995 with respect to Release 3 had come too late and the original specifications provided as a basis for the contract in 1991 had not been complete. Finally, the magnitude and complexity of the task had been underestimated from the very inception of the project.

34. The Administration's main concern had been the successful completion of the project. Failure would not have been in the interest of the Organization or of its Member States. While IMIS was not perfect, it was operational, and no other system on the market could meet the Organization's specific and complex requirements.

35. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, the associate countries of Bulgaria, Cyprus, the Czech Republic, Estonia, Hungary, Lithuania, Poland, Romania, Slovakia and Slovenia and, in addition, Norway, welcomed the requirement inherent in IMIS that users should abide strictly by the Financial Regulations and Rules of the Organization. He further noted that the successful implementation of IMIS would require consultation with management and staff, as well as their full cooperation.

36. While the European Union welcomed the progress which had been made in implementing the IMIS project, it shared many of the concerns expressed by ACABQ about the implementation of the project. In that regard, it agreed that the reasons for the increase in cost of IMIS should be analysed. That might be complemented by an independent, external assessment. Such an analysis would help to rectify the inadequacies in the project management, implementation and monitoring identified by ACABQ, and could also be used as a lessons learned study for the future maintenance and development of the system.

37. The European Union agreed with the Advisory Committee's recommendation that the Secretary-General should explore the feasibility of reinstating the budget applications part of IMIS. However, that should not be at the expense of further delay to the envisaged implementation schedule.

38. The European Union noted the Secretariat's intention to complete payroll development by the end of June 1998. It hoped to hear in a further progress report that implementation targets had been met.

39. **Mr. Farid** (Saudi Arabia) said that his delegation was quite concerned about the IMIS situation, especially the unacceptable trend of revising the cost estimates upwards

every two or three years; the initial estimate of $17 million in 1991 had now ballooned into $72.9 million. He wished to know the reason for such increases. He endorsed the Advisory Committee's view that, at the current juncture, no decision could be made to approve additional funds to the project. He also endorsed the view that a thorough analysis of the reasons for the increase in the cost of the IMIS contract should be carried out by the Office of Internal Oversight Services and submitted to the Committee.

40. **Ms. Silot Bravo** (Cuba) said her delegation was concerned that despite the enormous amount of money, $75 million, that had been spent on the IMIS project over a period of 10 years, it had encountered so many problems that an overall assessment of its usefulness for improving the management and processing of administrative measures could not even be undertaken. The audit by the Board of Auditors had identified a number of problems which had further delayed the project's implementation and increased its costs. She was concerned about the Organization's considerable dependence on the contractor for tasks that could have been entrusted to its own staff. Release 2 had been suspended because it was not consistent with the needs of the system or with the requirements of staff entitlements. There were errors and discrepancies in the financial database for Release 3 which had resulted in delays in the preparation of financial statements.

41. It was impossible to monitor the actual implementation of the project because the list of deliverables and the work plan had not been updated; as a result, it was impossible to know if the proposed changes for improving the system should be covered by the contract warranty or by contingency funding.

42. She endorsed the Board's recommendation on the need for an updated list of deliverables and work plan to allow monitoring of payments and deliverables. The Secretariat should identify the contractor and indicate whether the possibility of changing the contractor had been envisaged.

43. In General Assembly resolution 52/213 A it had been decided that the supplementary provision for IMIS of $3 million should not be encumbered without the prior approval of the Advisory Committee. A further additional requirement of $7.4 million had been indicated, but no justification for commitment of that amount had been provided. It was not an isolated occurrence; the shortcomings mentioned by the Board of Auditors would appear to point to a total lack of transparency in the implementation of the project.

44. As a result of the economy measures taken in the 1996-1997 biennium, a number of outputs had been postponed or affected. The Secretary-General indicated that financing for IMIS could be provided by transfers from under-expenditures realized under other sections of the programme budget for the biennium 1996-1997. The Secretariat should provide, in writing, an indication of the total amount of such under-expenditures, with a breakdown by section, in particular for those sections relating to economic and social affairs.

45. The need for additional funds for IMIS should be reassessed in the light of the above difficulties, in particular the lack of any system for evaluating implementation of the project. Any request for additional resources should be made in the context of the biennium 1998-1999, and should be subject to final approval by the General Assembly.

46. **Mr. Yamagiwa** (Japan) noted that the project's cost had increased from the original estimate in 1988 of $28 million to $72.9 million at 31 December 1997, excluding maintenance costs of $22.5 million. While his delegation recognized the importance of improving technology in the United Nations, such costs were disproportionately large. The recommendations of the Board of Auditors must be fully implemented. The development and implementation phase of the project should be completed by the end of 1999 at the latest; the Secretariat should confirm that that schedule would be adhered to.

47. He endorsed the Advisory Committee's view that the Office of Internal Oversight Services should carry out a thorough analysis of the reasons for the increase in the cost of the IMIS contract; the Secretariat should negotiate with the contractor for fairer terms. As for the proposal that the remaining $7.4 million of the $10.4 million required for the current biennium should be accommodated within the final appropriation for the previous biennium, his delegation had concurred in the Secretary-General's proposal to approve $3 million in the final appropriation for the biennium 1996-1997 on the understanding that the amount had been obligated in that period. However, there was no clear indication that that was the case. He wished to know how much of the additional requirement of $10.4 million would be used to meet obligations from prior periods.

48. In that regard, a possible additional surplus of $7.4 million could not automatically be used for the IMIS project. In principle, that amount should be returned to Member States; alternatively, Member States could discuss how the additional resources were to be used, taking into account the fact that a number of programmes and activities had been deferred, postponed or curtailed during the biennium 1996-1997. The resources required for the 1998-1999 biennium should be requested in the context of the current programme budget.

49. **Mr. Kabir** (Bangladesh) said that the reports before the Committee testified to the fact that the IMIS project had been ill-planned and poorly defined and executed. The handicaps that had emerged at the planning stage still plagued the project. It was not clear who was responsible for such mismanagement and what action had been taken to overcome the problems and make the system operational. Transparency and accountability should be strictly maintained in such a major financial undertaking. The contract had been amended 14 times, from an initial estimate of $28 million to over $72 million. The contracting firm said that the renegotiations had been due to delays on the part of the United Nations, and that the United Nations had been unable to deploy sufficient staff to cope with the requirements of the project. The Administration had had to pay $2.59 million as compensation for delays attributable to the United Nations. However, according to the Advisory Committee's report, those delays had not been analysed or addressed objectively. Member States were owed explanations as to why the Organization had been forced to bear that financial burden and under what circumstances. It was also clear that there was no baseline against which the Organization could monitor execution of the contract.

50. The Board of Auditors had noted that the Administration had contracted out tasks that it should have performed itself. In some cases the contractor had performed the user review of project performance, in violation of the contract and relationship between the parties. Such a practice had increased the Organization's dependence on the contractor; in-house expertise should be developed in order to reduce such dependence. He noted with satisfaction the efforts being made to recruit personnel for the project, and requested information on progress in that regard. While he commended the savings achieved in the area of travel, hardware, software and training, he shared the Advisory Committee's view that any efforts to achieve economy should not adversely affect the training of staff, which was vital to the effective implementation and operation of IMIS. He also supported the ACABQ recommendation that expertise available from the contractor should be mastered by the United Nations staff involved in IMIS training.

51. In view of the problems of poor management, implementation and monitoring of the project, his delegation supported the Advisory Committee's suggestion that the Office of Internal Oversight Services should review all aspects of the project and submit a report to the General Assembly at its fifty-third session. It also endorsed the ACABQ recommendation to adjust the performance bond from the contractor to reflect the increased cost of the project. Referring to the Board of Auditors' report (A/52/755, paras. 94-96), he wondered whether any progress had been made in respect of securing approval for and implementing the information systems security policy.

52. **Mr. Repasch** (United States of America) said that his delegation was very interested in IMIS, not only because of its enormous potential but also because of the problems it had encountered, including the significant cost overruns. He hoped that the end of the system's development was near and that the Organization would begin reaping the benefits of that extraordinarily complex, expensive and highly capable system.

53. He welcomed the Board of Auditors' report, with its many valuable recommendations, as an example of the importance of good oversight.

54. Several of the Board's findings were of particular interest. The estimated cost of the project had more than doubled, and at least five additional years had been added to the development time-frame for a system that would have fewer capabilities than originally envisioned. Plans to develop the budget formulation component of the system had now been abandoned, while the component dealing with staff entitlements had had to be turned off 18 months after it had become operational.

55. The Advisory Committee's report also contained a number of observations which his delegation fully supported. Nevertheless, while his delegation supported the need for an analysis of the contract, the Board of Auditors was in a much better position to prepare it. Regarding the amount of the performance bond, further information should be provided on the relevance of a performance bond at the current stage. He agreed with ACABQ that the cost-plus nature of the contract used for IMIS had actually rewarded the contractor for delays and cost overruns while doing little to assure the delivery of quality products. He hoped that the Secretariat had modified that arrangement in order to minimize the Organization's exposure to that risk. He also agreed with the Advisory Committee that the Organization should not have paid for contract changes without verifying that they were in fact within the scope of the contract. He hoped that the Organization would recover the amounts it had spent for the 199 changes to correct errors that should have been made under the warranty; the amounts recovered should be used to reduce the amount requested by the Secretariat for completing IMIS.

56. The question of additional financing was troubling. However, it was important for IMIS to achieve its full functionality. The United States would reluctantly accept the allocation of an additional $7.4 million from the approved 1996-1997 appropriation, provided that the Secretariat

implemented the recommendations of the Board of Auditors, and that the Board continued to monitor the project and alerted the Committee at the first signs of additional complications.

57. **Mr. Moktefi** (Algeria) said that the many difficulties being experienced in the implementation of IMIS were due to the poor management, execution and monitoring of the system. Those deficiencies included the lack of a long-term maintenance plan and of qualified in-house staff to reduce the Organization's dependence on outside providers. While he acknowledged the efforts being made to remedy the problems, much more needed to be done. He would welcome from the Secretariat updated information on recruitment efforts to fill the nine vacant IMIS posts.

58. **Ms. Chen Yue** (China) said that her delegation, too, was concerned about the difficulties encountered in the implementation of IMIS and agreed with the recommendations made by the Board of Auditors and ACABQ. The situation adverted to by ACABQ of payments being made to the contractor without due regard for the timing and quality of deliverables but only on the basis of the number of hours claimed was patently absurd and must be corrected. The erroneous payments which the Administration had made for out-of-scope work should also be recovered. The Secretariat should, moreover, clarify the basis for the payment made by the Administration to the IMIS contractor as a compensation for delays attributed to the United Nations.

59. It was essential for the Organization to train adequate numbers of its own staff in the supervision and maintenance of IMIS in order to not only reduce its dependence on the contractor but also strengthen its ability to negotiate on an equal footing. A great deal of resources had already been absorbed by IMIS, which was intended to improve the Organization's capacity to effectively discharge its mandates. She hoped that the implementation of the recommendations of ACABQ and the Board of Auditors would enable the system to play the role for which it had been intended.

60. **Mr. Hanson** (Canada) said that he shared the concerns of other delegations over the increase in the cost of IMIS and the deficiencies in the management of the project. A project such as IMIS, however, was unique in a number of ways, not the least of which was its complexity. It was therefore even more important that established principles of project management should be more closely adhered to and implemented.

61. He himself had been involved in a number of comparable information technology projects in Canada and none of the problems encountered by IMIS was new to him. He was in fact aware of smaller projects in which more had been spent and less delivered. Information technology projects were distinguished by the challenge of implementation in the context of rapidly evolving technology. What had to be custom-built a few years previously might be currently available "off the shelf".

62. In a project of such long duration, the implementation plan itself must contain built-in opportunities to evaluate the project's needs and what was available in the industry. That could sometimes require the abandonment of efforts in favour of new approaches. Indeed, his delegation did not expect that a day would come when the project could be said to have been completed and nothing more needed to be done. Future upgrades would always be necessary. When such a system ceased to develop, it quickly became obsolete.

63. **Mr. Odaga-Jalomayo** (Uganda) said that it would be helpful if the oral reports by the Chairman of ACABQ, the Under-Secretary-General for Management and the Acting Assistant Secretary-General for Central Support Services could be made available in writing to members of the Committee. While he agreed with the representative of Canada on the need for constant upgrading of the system, it was nevertheless important to distinguish between upgrading the system and making it operational.

64. IMIS could be likened to a construction whose plans called for a bungalow but to which successive floors were added until the superstructure became too heavy for its foundations. The choices faced by the builders included stopping at a level which could be supported by the foundations, rectifying the structural problems, changing the contractor to avoid further increases in the cost or abandoning the entire project and starting another.

65. IMIS was terminally ill and the Organization must choose between abandoning it or committing the resources needed to make the project operational. Uganda would support the second option if the Secretary-General so requested and provided that a deadline was set for completing the system and handing it over to the Organization for management by in-house staff.

66. He wished, lastly, to know the identities of the two contractors involved in the project thus far and endorsed the recommendations of the Board of Auditors, which should be implemented without delay.

67. **Mr. Saha** (India) endorsed the views of the Board of Auditors and of ACABQ and joined in the request made by the representative of Uganda for the statements on the subject by the Secretariat officials to be made available in

writing. It would also be helpful if all proposals for addressing the situation could be circulated so that delegations would be able to monitor the situation more effectively.

68. **The Chairman** said that the presentations by the representatives of the Secretariat would be made available in writing that afternoon to members of the Committee.

69. **Mr. Connor** (Under-Secretary-General for Management) said that it was fundamental to an understanding of the situation that a clear line should be drawn between the early 1990s and the course correction which had taken place in 1994. The initial efforts at implementing IMIS had followed the lead set by the Food and Agriculture Organization (FAO), whose own efforts to customize an information management package had ended in failure and a $30 million write-off.

70. It must be remembered that the failure rate for developing information management systems was 60 per cent. There was no commercially available system at the current time which had all the functionalities needed by the Organization, and if the choice had to be made again, IMIS would still be selected.

71. During the implementation of IMIS, planners had been faced with three surprises. In the implementation of Release 1, it had been discovered that the Organization had lost control of its paper flow with regard to its staffing situation and corrections had had to be made. Release 2 had come up against the problem of the enormous complexity of staff entitlements, which had necessitated the re-engineering of the Release. And worst of all, during the conversion process, which had begun in April 1996, the new system had rejected some details of the balance sheet. As a result, each element of information concerning $21 billion worth of transactions had had to be reprocessed. He could give no assurances that a fourth surprise was not lurking somewhere in the future. It was of fundamental importance to link together all the Releases, since there was a common database and information was entered into the system only once.

72. It was proving difficult to recruit qualified staff for the management of the project, because of the heavy demand for such persons in the period leading up to the year 2000. He noted, however, that the United Nations Development Programme was committed to IMIS and the Organization was working with the Programme and with a number of other funds and programmes which were committed to selected Releases. Despite the many obstacles, it was essential that a dedicated system should be operational by the end of 1999.

73. **Mr. Niwa** (Acting Assistant Secretary-General for Central Support Services) said that the work performed by the contractor was very closely linked to the work of the Secretariat; therefore any consideration of the contractor's performance also concerned the performance of the Secretariat.

74. The first contractor had been Deloitte and Touche. In 1991, bidding had been organized for a new contractor; ten companies had responded, of which six had been considered acceptable, and two had been chosen as finalists; the final choice had been Price Waterhouse. Thus the normal bidding process had been followed.

75. He did not feel that it would be practicable to change the contractor. The Secretariat had been working very closely with the contractor, and if a new contractor was brought in, there would have to be a transition period, and time would be lost. The Secretariat would make use of temporary assistance and in-house capacities so that, after the project was completed, those persons could take over from the contractor.

76. In considering the magnitude of cost escalation, a distinction needed to be made between the contractor's costs and the total cost of the project. As indicated in the ninth progress report, the cost of the project had increased to $42 million, not $72 million as some delegations had claimed. He had already commented on the performance bond. At first, there had been a fixed-term, fixed-price contract, but for the reasons given in the report, the nature of the contract, and of the work, had changed, hence the relevance of the performance bond in terms of retention.

77. **Mr. Sach** (Director, Programme Planning and Budget Division) said, in response to the question raised by the representative of Japan, that the table on page 9 of document A/52/711 showed the amounts appropriated to date for IMIS and the total amount sought, an increase of some $10.4 million, all of which was for 1998-1999 – none of it related to prior period obligations. For purely technical accounting reasons, the amount of $3 million which had been approved by the General Assembly at the fifty-second session had had to be obligated prior to the closing of accounts, but that amount was available for transfer to the IMIS account.

78. On the question of whether a retained surplus would be utilized to finance the amount of $7.4 million that was now being sought, he said that normally retained surpluses would be credited to Member States as offsets against future assessments, but there had been other occasions in the past when surpluses had been utilized in accordance with the wishes of Member States; the Secretariat had proposed to the Advisory Committee that, as an exception to the normal

procedure, the surplus should be made available for IMIS, and the Advisory Committee had recommended that that procedure should be followed.

79. Responding to the representative of Cuba, he said that it was anticipated that there would be a very small surplus from the 1996-1997 programme budget, amounting to $10.3 million, of which $7.4 million was being sought for IMIS; as to spending in the economic and social sectors, sections 7A to 20 of the programme budget had been slightly overspent, by about $1.4 million, but that overexpenditure was subject to the transfer of credits between budget sections and the Secretariat would be making a recommendation to that effect to the Advisory Committee prior to the closing of the accounts.

United Nations International Partnership Trust Fund (A/52/7/Add.9)

80. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee's report (A/52/7/Add.9) dealt with the question of the donation from Mr. Robert Edward Turner III (Ted Turner) of $1 billion, and also contained information on an exchange of letters between the Secretary-General and the Advisory Committee on the issue.

81. Trust funds could be established by the Secretary-General, after informing the Advisory Committee, or could be established on the basis of decisions by the General Assembly or the Security Council. In the current case, the Secretary-General had decided to establish a trust fund to handle the donation by Mr. Turner. In normal circumstances the Advisory Committee would simply approve the Secretary-General's recommendations for the establishment of posts to be funded by a trust fund; in the current case, however, the Advisory Committee had concluded that since the Trust Fund was unique in its magnitude and implications, it should communicate to the General Assembly the information provided to it by the Secretary-General and the reply it had sent to the Secretary-General.

82. In its letter to the Secretary-General, the Advisory Committee stated that it concurred in the proposal for the Executive Director post at the Assistant Secretary-General level, with the proviso that that level would be subject to review for the period after 31 December 1999. It also requested that, given the unique nature of the Turner gift, it should be provided with a complete administrative budget for the Trust Fund, and that all subsequent administrative budgets should be submitted to it for its prior concurrence on an annual basis.

83. The Advisory Committee's report was intended not for action by the Fifth Committee, but for information. When the Advisory Committee received the additional information it had requested it would report to the General Assembly and make any relevant recommendations.

84. Under financial rule 107.7, voluntary contributions, gifts or donations which directly or indirectly involved an immediate or ultimate financial liability for the Organization could be accepted only with the approval of the General Assembly, but that stage had not been reached. The Advisory Committee would report back after it received further information from the Secretary-General.

85. **Mr. Moktefi** (Algeria) said that the Advisory Committee should report back to the General Assembly at the appropriate time and make any relevant proposals, and should also inform it of any problems which arose in establishing the Trust Fund. Since the Fifth Committee had responsibility for administrative and budgetary questions, it should closely follow the establishment of the Trust Fund.

86. **Mr. Thorne** (United Kingdom), speaking on behalf of the European Union, said that the European Union noted from the Secretary-General's letter that he would keep the General Assembly regularly informed of the decisions he took on the advice of the advisory board as to which projects would be funded by the United Nations Foundation Inc.; that transparency was important. The European Union also noted the concern expressed by the Advisory Committee about the costs of administering the Trust Fund and agreed that clarification was needed; there could be no question of any charges being made to the regular budget without consulting the Fifth Committee in advance.

87. **Mr. Sulaiman** (Syrian Arab Republic) said that document A/52/7/Add.9 concerning the United Nations International Partnership Trust Fund contained new information of the greatest interest to his delegation. His delegation did not wish the concept of United Nations Foundation Inc. to become closely linked to the United Nations as a whole. Although any donations made to the Organization were welcome, such donations remained a personal matter, and the role of the donor ended once he had made his donation. There was no need for systematic contacts to be established with the head of United Nations Foundation Inc.

88. With regard to the submission of regular financial and substantive performance data by the Secretary-General to the Trust Fund and United Nations Foundation Inc., as provided for in paragraph 17 of the document, he said that the issue concerned the General Assembly and the Fifth Committee as political bodies. The Committee should be

provided with any additional information on the matter, in order to enable it to take an appropriate decision.

89. **Mr. Odaga-Jalomayo** (Uganda) said that since the Trust Fund was not a typical fund, it should be administered very carefully in order to achieve the goal sought. The Secretary-General indicated in his letter that the Executive Director would have full responsibility for the overall programmatic review and thematic analysis of project proposals; he asked how that would be synchronized with the medium-term plan. Referring to paragraph 6 of the concept paper, he asked who would define the pressing needs of the international community; under normal circumstances, those needs would be defined in the intergovernmental process. Paragraph 8 referred to non-governmental organizations; he asked whether that meant all non-governmental organizations, from the South and the North, since in the past there had always been a conspicuous absence of non-governmental organizations from the South.

90. The letter from the Chairman of the Advisory Committee stated that the Advisory Committee trusted that every effort would be made to ensure that a steady and dependable cash flow was maintained; he asked what kind of effort the Advisory Committee had in mind.

91. Although the Chairman of the Advisory Committee had said that the report was provided to the Committee for information, the Advisory Committee, in its letter to the Secretary-General, concurred with the Secretary-General regarding the establishment of a post at the Assistant Secretary-General level; it was not clear whether the Advisory Committee or the General Assembly should establish that post. His delegation requested information from the Office of Human Resources Management as to the number of D-2 posts in 1996 and at the current time, broken down by nationality and gender.

92. **Mr. Saha** (India) said that his delegation had already commented on the issue of the Trust Fund during the consideration of the financial situation of the Organization; it associated itself with the comments made by the representative of Algeria, and the request made by the representative of Uganda.

93. **Ms. Silot Bravo** (Cuba) said that her delegation endorsed the comments made by the representatives of Algeria, the Syrian Arab Republic and Uganda, particularly with regard to the role of the General Assembly, and of the Committee, in the consideration of the proposal; there were a number of questions which required clarification and consideration by the General Assembly. It hoped that the decisions on the subject would take into account those concerns and the proposals made by various delegations.

94. **Mr. Misran** (Malaysia) said that Member States must have an opportunity to comment on the establishment of the Trust Fund. His delegation was interested in learning about the terms and regulations relating to the Fund.

95. **Mr. Mirmohammad** (Islamic Republic of Iran) asked whether the staffing and support costs would be funded from the Trust Fund or from other sources.

96. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that with regard to the question raised by the representative of Uganda concerning the maintenance of a steady cash flow, the operational reserve was meant to provide funding for an account pending the receipt of contributions. The Advisory Committee felt that efforts should be made by the Secretariat to ensure that there was a steady flow of cash to the Trust Fund, so that the Secretariat did not raise commitments without having the cash to fund them, as had occurred in the past.

97. On the question of the Advisory Committee's role in approving the post of the Executive Director, the current procedure was that all extrabudgetary posts at the level of D-1 and above which were established by the Secretary-General to be funded from trust funds must have the concurrence of the Advisory Committee. That procedure had been followed, and, because of the unique nature of the operation, the Advisory Committee had also requested that the budgets should be submitted to it.

98. The staffing and support costs of the Trust Fund would be funded from the Trust Fund itself. On the question of the role of the General Assembly in establishing the Trust Fund, he said that the Trust Fund was being established by the Secretary-General to manage a donation from Mr. Ted Turner; the Secretary-General received many donations and established trust funds for the purpose of managing those resources in accordance with the wishes of the donor. Thus the Secretary-General was following normal practice. There was nothing unique about informing the General Assembly, since the Advisory Committee believed that such operations must be transparent.

99. On the question of the responsibility of the Executive Director, he referred to the link between paragraphs 3 and 7 (a) of the concept paper.

100. **Mr. Connor** (Under-Secretary-General for Management) said that the relationship agreement for the Trust Fund had not yet been finalized, but it would set forth the obligations and responsibilities of both parties to the donation. Bearing in mind the Advisory Committee's comments, an arrangement would be included whereby it

would not be necessary to borrow from other funds; the Trust Fund would be financed from the United Nations Foundation Inc. The Secretary-General's overall intent was clearly set out in the document; the contributions would supplement, not replace, the regular, assessed or voluntarily funded programmes of the United Nations. The Secretary-General had a unique responsibility to identify objectives that were consistent with the Charter of the United Nations. He would prepare a consolidated project planning document, supplemented by individual project documents. There would not be any infringement of the goals and objectives set forth in the medium-term plan. Proposals would be made by various parts of the United Nations to the Secretary-General, in his capacity as chief administrative officer of the Trust Fund, and he would decide which proposals should be submitted for possible funding by the United Nations Foundation Inc.

The meeting rose at 1.25 p.m.